

**NIPOMO  
COMMUNITY SERVICES DISTRICT**

**Independent Auditor's Report  
and  
Financial Statements**

For the Year Ended  
June 30, 2010

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

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# NIPOMO COMMUNITY

## BOARD MEMBERS

JAMES HARRISON, PRESIDENT  
LARRY VIERHEILIG, DIRECTOR  
MICHAEL WINN, DIRECTOR  
ED EBY, DIRECTOR  
BILL NELSON, DIRECTOR



# SERVICES DISTRICT

## STAFF

DON SPAGNOLO, GENERAL MANAGER  
LISA BOGNUDA, FINANCE DIRECTOR  
JON SEITZ, GENERAL COUNSEL

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148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326  
(805) 929-1133 FAX (805) 929-1932 [ncsd.ca.gov](http://ncsd.ca.gov)

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## MANAGEMENT DISCUSSION AND ANALYSIS

The Nipomo Community Services District's Management Discussion and Analysis is an overview of the most recent completed fiscal year's activities designed to:

- Assist the reader in identifying significant financial issues
- Provide an overview of the District's fiscal year financial activity
- Identify changes in the District's financial position
- Identify any material deviations from the financial plan (the approved budget)
- Identify individual fund issues or concerns

Since the Management's Discussion and Analysis (MD & A) is designed to focus on the most recent completed fiscal year's activities, resulting changes and currently known facts, please read it in conjunction with the Independent Auditor's Report (beginning on page 2) and the District's financial statements (beginning on page 3).

### A. DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

The Nipomo Community Services District's enabling legislation is found in §61000 et seq. of the Government Code and is commonly referred to as Community Services District law. Pursuant to Government Code §§61100 the District supplies water, sewer, solid waste, street lighting and drainage within the District boundaries.

Pursuant to Community Services District law the District:

- On or before July 1<sup>st</sup> of each year, adopts a preliminary budget or final budget that conforms to generally accepted accounting and budgeting procedures for Special Districts (Government Code §61110);
- On or before July 1<sup>st</sup> of each year, adopts a Resolution establishing the District's appropriations limit, if any, and makes other necessary determinations for the following fiscal year, pursuant to Article XIII B of the California Constitution;
- Annually provides for audits of the District's accounts and records (Government Code §61118);
- Provides annual financial reports to the Controller (Government Code §61118);
- Adopts rates and charges to cover costs reasonably borne by the District in providing water, sewer and solid waste collection services within the District boundaries pursuant to the guidelines identified in Water Code §71616 and Article XIII D of the California Constitution (Government Code Section §61123).

# NIPOMO COMMUNITY SERVICES DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDING JUNE 30, 2010

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District Staff performs the accounting functions of the District. The District utilizes the Fund Accounting method. The National Council on Government defines the term **fund** as follows:

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following is the list of Funds used by the District:

#110	Administration Fund
#125	Water Fund
#130	Sewer Fund-Town Division
#150	Sewer Fund-Blacklake Division
#200	Blacklake Street Lighting Fund
#250	Street Landscape Maintenance District Fund
#300	Solid Waste Fund
#400	Drainage Fund
#500	Supplemental Water Fund
#600	Property Tax Fund
#700	Water Capacity Charges Fund
#710	Sewer Capacity Charges Fund-Town Division
#805	Funded Replacement-Water Fund
#810	Funded Replacement-Town Sewer Fund
#830	Funded Replacement-Blacklake Sewer Fund
#880	Town Sewer Sinking fund

The Administration Fund accounts for all of the assets and resources used for the general administration of the District. The remaining operating funds are "enterprise funds". The purpose of enterprise funds is to account for operations in a manner similar to private business enterprises. The policy defined by the elected Board of Directors is that the costs of providing service (expenses, including depreciation of providing goods and services) be financed or recovered primarily through user charges.

Financial statements (Consolidated Balance and Income Statements) are presented and reviewed quarterly by the Board of Directors, and confirmed annually by an outside independent audit. The footnotes, contained as supplemental information in the annual Audit Report, provide specific accounting details about Nipomo Community Services District such the basis of accounting, capital assets, and long-term debt. There were no significant accounting process changes during the fiscal year.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2010

CONDENSED FINANCIAL INFORMATION

**STATEMENT OF NET ASSETS**

	<u>Fiscal Year</u> <u>7/1/09 – 6/30/10</u>	<u>Fiscal Year</u> <u>7/1/08 – 6/30/09</u>
<u>Assets</u>		
Current and other assets	\$ 25,638,213	\$ 25,937,549
Capital assets, net	31,342,793	29,702,586
Total Assets	<u>56,981,006</u>	<u>55,640,135</u>
<u>Liabilities</u>		
Other liabilities	606,408	1,084,934
Long-term debt outstanding	4,942,607	4,517,666
Total Liabilities	<u>5,549,015</u>	<u>5,602,600</u>
<u>Net Assets</u>		
Invested in capital assets, net of debt	26,400,186	29,702,586
Restricted	15,349,110	16,189,675
Unrestricted	9,682,695	4,145,274
Total Net Assets	<u>\$ 51,431,991</u>	<u>\$ 50,037,535</u>

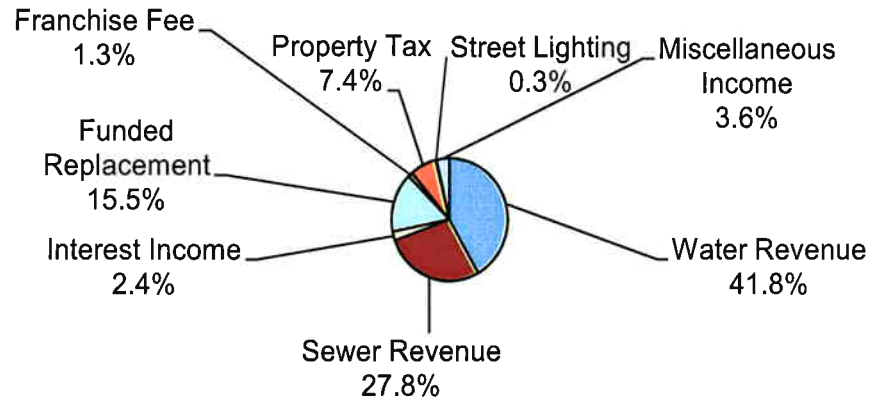
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

<u>Operating Revenues</u>		
Charges for services	\$ 4,909,684	\$ 4,588,563
Miscellaneous	164,734	166,221
Total Operating Revenues	<u>5,074,418</u>	<u>4,754,784</u>
<u>Operating Expenses</u>		
Water	3,019,506	2,937,033
Sewer	1,413,767	1,412,827
Other	175,414	165,451
Total Operating Expenses	<u>4,608,687</u>	<u>4,515,311</u>
<u>Non-Operating Revenues and (Expenses)</u>		
Interest income	167,857	537,985
Miscellaneous revenues	771,858	585,567
Miscellaneous expenses	(15,217)	(15,217)
Interest expense	(179,462)	(174,624)
Total Non-operating revenues (expenses)	<u>760,253</u>	<u>933,711</u>
Income Before Contributions	<u>1,225,984</u>	<u>1,173,184</u>
Capital Contributions	<u>168,472</u>	<u>1,262,279</u>
Change in Net Assets	1,394,456	2,435,463
Total Net Assets - Beginning of fiscal year	50,037,535	47,602,072
Total Net Assets – End of fiscal year	<u>\$ 51,431,991</u>	<u>\$ 50,037,535</u>

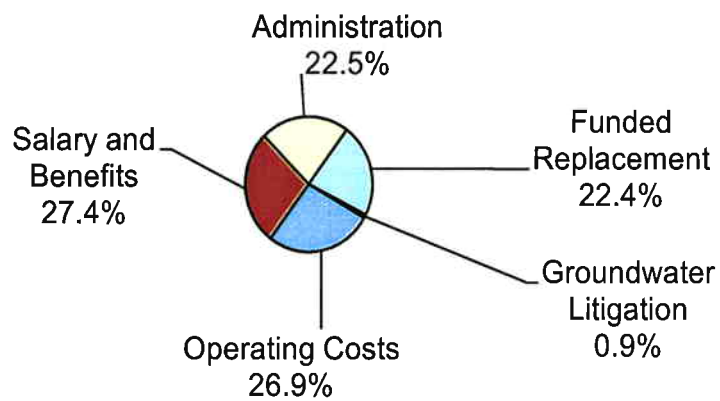
**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2010

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**REVENUES**



**EXPENDITURES**



# **NIPOMO COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**FISCAL YEAR ENDING JUNE 30, 2010**

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### **B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION (Comparison of Fiscal Year 2009-10 to Fiscal Year 2008-09)**

- Overall revenues increased 6.7%.
- Overall operating expenditures increased 2.1%.
- Total assets increased 2.4%.
- Total liabilities decreased 1.0%.
- Capital contributions, including water and sewer capacity fees and developer donated assets decreased 86.7% (from \$1,262,279 in FY 08-09 to \$168,472 in FY 09-10).

### **C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

- Water revenues decreased 1.6% for the fiscal year. The decrease is attributable a decrease in water consumption.
- Sewer revenues for the Town Division increased 26.9% and the Blacklake Division increased 11%. The increase in the both Divisions is attributable to rate increases that went into effect on January 1, 2010.

### **D. ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN THE BUDGET AND ACTUAL YEAR END RESULTS**

#### **COMPARISON OF BUDGET AMOUNTS TO ACTUAL**

	<b>2009-10</b>	<b>2009-10</b>	<b>% ACTUAL IS</b>	<b>POSITIVE (+) OR</b>
	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b>OVER(+)/UNDER(-)</b>	<b>NEGATIVE (-)</b>
			<b><u>BUDGET</u></b>	<b><u>IMPACT ON</u></b>
				<b><u>BUDGET</u></b>
Total Revenues	\$ 6,079,101	\$ 5,074,418	-16.5%	-
Total Expenditures	\$ 4,696,785	\$ 4,608,687	-1.9%	+
Net Non Operating Income (Expenses)	\$ 676,550	\$ 760,253	+12.4%	+

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2010

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**DESCRIPTION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

All assets purchased by the District are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received by the District. Donated or contributed fixed assets from developers account for the largest increase in capital assets this year.

<b>CAPITAL ASSETS CONTRIBUTED</b>	<b>FAIR MARKET VALUE</b>
Water Division	\$28,289
Town Division Sewer	6,902
Blacklake Division Sewer	0
<b>TOTAL</b>	<b>\$35,191</b>

The total long-term debt as of June 30, 2010 is as follows (for more detail see Note 6 of the Notes to the Financial Statements found on Pages 13 and 14):

Water Division	Eureka Well development and Inter-Fund loan for the Blacklake Buy-In	\$303,512
Town Division Sewer	Sewer plant expansion, lease purchase of sewer vacuum truck and Inter-Fund Loan for Blacklake Sewer	1,129,095
Property Tax Secured	Water improvements and Supplemental Water	3,510,000
Total Long-term debt		\$4,942,607

**E. DISCUSSION OF USE OF THE MODIFIED APPROACH TO REPORT INFRASTRUCTURE ASSETS**

Not applicable. Nipomo Community Services District does not use the modified approach.

**DESCRIPTION OF FACTS OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON FINANCIAL POSITION OR RESULTS OF OPERATION**

- The Board of Directors approved the waterline intertie project between NCSD and the City of Santa Maria. Expenditures are on-going with the assessment district vote expected to take place in Spring 2011.
- The planning and design of the upgrade to the Southland Wastewater Treatment Facility.
- The legal and professional services fees continue due to the groundwater adjudication and Nipomo Mesa Technical Group.



**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2010

**F. ECONOMIC FACTORS**

The Nipomo Community Services District's water and sewer operations rely solely on user fees. The last water rate increases was on January 1, 2009. A new water rate study is expected to be completed in Fall 2010.

The sewer rates for the Blacklake Divisions will increase on January 1, 2011.

In order to develop and purchase supplemental water, the Board of Directors adopted Resolution 2008-1102 which provides for the collection of a supplemental water capacity charge for new development. The funds collected are restricted for supplemental water use.

Nine year summary of Water and Sewer Rates for a single family residence with a one inch meter:

**WATER RATES AND CHARGES**

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2010	\$30.84	\$1.64	\$2.80
2009	\$30.84	\$1.64	\$2.80
2008	\$29.03	\$1.52	\$2.59
2007	\$26.96	\$1.38	\$2.35
2006	\$24.75	\$1.23	\$2.10
2005	\$21.04	\$1.07	\$1.64
2004	\$19.26	\$1.01	\$1.51
2003	\$17.50	\$0.95	\$1.42
2002	\$17.50	\$0.90	\$1.33

**TOWN DIVISION- SEWER CHARGES**

As of June 30,	Bi-Monthly Sewer Charge
2010	\$88.32
2009	\$70.66
2008	\$56.53
2007	\$43.27
2006	\$41.60
2005	\$37.22
2004	\$36.86
2003	\$36.50
2002	\$36.40

**BLACKLAKE DIVISION- SEWER CHARGES**

As of June 30,	Bi-Monthly Sewer Charge
2010	\$118.90
2009	\$107.12
2008	\$77.55
2007	\$74.56
2006	\$71.70
2005	\$64.40
2004	\$63.66
2003	\$46.00
2002	\$44.50

# **NIPOMO COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**FISCAL YEAR ENDING JUNE 30, 2010**

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### **G. REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Nipomo Community Services District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Nipomo Community Services District, P. O. Box 326, Nipomo, CA 93444.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF DIRECTORS**  
June 30, 2010

BOARD OF DIRECTORS

NAME

TERM EXPIRES

James Harrison, President

December 3, 2010

Larry Vierheilig, Vice-President

December 3, 2010

Michael Winn, Director

December 7, 2012

Ed Eby, Director

December 7, 2012

Bill Nelson, Director

December 3, 2010

# CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401  
PHONE: (805)543-6100 FAX: (805)858-9505

## **Independent Auditor's Report**

Board of Directors  
Nipomo Community Services District  
Nipomo, California

I have audited the accompanying financial statements of the business-type activities of the Nipomo Community Services District as of and for the year ended June 30, 2010 and 2009, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with U.S. Generally Accepted Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nipomo Community Services District as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through viii, are not a required part of the basic financial statements but are supplementary information required by U.S. Generally Accepted Accounting Principles. I have applied certain limited procedures, which consisted principally of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nipomo Community Services District basic financial statements. The combining financial statement schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



**CROSBY COMPANY**  
**Certified Public Accountant**

August 18, 2010

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2010**

(With Comparative Totals for the Year Ended June 30, 2009)

<b>ASSETS</b>	<b>Enterprise Funds</b>	
	<u>2010</u>	<u>2009</u>
<b><i>Current assets</i></b>		
Cash and cash equivalents	\$ 23,922,242	\$ 24,532,662
Accounts receivable	297,406	199,293
Unbilled utilities receivable	725,000	642,500
Accrued interest receivable	31,876	86,141
Prepaid expenses	58,678	41,123
Accrued franchise fees	12,110	11,517
Notes receivable (current portion)	38,192	
Total current assets	25,085,504	25,513,236
<b><i>Non-current assets</i></b>		
Capital assets:		
Land and construction in progress	5,851,476	4,056,688
Property, plant and equipment, net accumulated depreciation	25,491,317	25,645,898
Total noncurrent assets	31,342,793	29,702,586
<b><i>Other assets</i></b>		
Loan fees, net accumulated amortization	201,864	221,140
Notes receivable (less current portion)	350,845	
Total other assets	552,709	221,140
Total assets	\$ 56,981,006	\$ 55,436,962
<b>LIABILITIES</b>		
<b><i>Current liabilities</i></b>		
Accounts payable	\$ 350,607	\$ 635,614
Accrued liabilities	161,994	126,565
Deposits	87,507	113,282
Current portion long term debt	234,551	172,049
Total current liabilities	834,659	1,047,510
<b><i>Noncurrent liabilities</i></b>		
Long term debt	4,708,056	4,345,617
Deferred revenues	6,300	6,300
Total noncurrent liabilities	4,714,356	4,351,917
Total liabilities	\$ 5,549,015	\$ 5,399,427
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 26,400,186	\$ 29,702,586
Restricted for system expansion and replacement	15,349,110	16,189,675
Unrestricted	9,682,695	4,145,274
Total net assets	\$ 51,431,991	\$ 50,037,535

The accompanying notes are an integral part of these financial statements

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

(With Comparative Totals for the Year Ended June 30, 2009)

		Enterprise Funds	
		<u>2010</u>	<u>2009</u>
<b><i>Operating revenues</i></b>			
Charges for services		\$ 4,909,684	\$ 4,588,563
Miscellaneous		164,734	166,221
Total operating revenues		5,074,418	4,754,784
<b><i>Operating expenses</i></b>			
Personnel		1,448,688	1,337,120
Contractual services		468,541	597,134
Utilities		607,219	534,252
Repairs and maintenance		296,920	393,744
Other supplies and expenses		614,681	533,907
Insurance		58,191	41,208
Depreciation and amortization		1,114,447	1,077,946
Total operating expenses		4,608,687	4,515,311
Operating income (loss)		465,731	239,473
<b><i>Non-operating revenues (expenses)</i></b>			
Interest		167,857	537,985
Property taxes		520,576	554,660
Cell site income		31,702	30,907
Gain on disposal of equipment		101,982	
Miscellaneous income		117,598	
Miscellaneous expense			(15,217)
Interest expense		(179,462)	(174,624)
Total non-operating revenues (expenses)		760,253	933,711
<b><i>Income before contributions</i></b>		1,225,984	1,173,184
<b><i>Capital contributions, net of refunds</i></b>		168,472	1,262,279
<b><i>Changes in net assets</i></b>		1,394,456	2,435,463
<b><i>Net assets-beginning of year</i></b>		50,037,535	47,602,072
<b><i>Net assets-end of year</i></b>		\$ 51,431,991	\$ 50,037,535

The accompanying notes are an integral part of these financial statements

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2010**

(With Comparative Totals for the Year Ended June 30, 2009)

		Enterprise Funds	
		<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>			
Cash received from operating revenue		\$ 4,976,305	\$ 4,737,846
Payments to suppliers		(2,756,325)	(1,713,745)
Payments to employees		(1,448,688)	(1,337,120)
Net cash provided by operating activities		771,292	1,686,981
<b>Cash flows from non-capital financing activities</b>			
Property tax revenues		520,576	554,660
Net cash provided by non-capital financing activities		520,576	554,660
<b>Cash flows from capital and related financing activities</b>			
Capital contributions		168,472	1,262,279
Acquisition of capital assets		(2,735,378)	(3,337,909)
Proceeds from capital debt		633,340	
Principal paid on capital debt		(208,399)	(172,049)
Interest paid on capital debt		(179,462)	(174,624)
Proceeds from disposal of property, plant and equipment		101,982	
Other cash flows		149,300	15,690
Net cash used by capital and related financing activities		(2,070,145)	(2,406,613)
<b>Cash flows from investing activities</b>			
Interest income		167,857	537,985
Net cash provided by investing activities		167,857	537,985
<b>Net change in cash</b>		(610,420)	373,013
<b>Cash and cash equivalents-beginning</b>		24,532,662	24,159,649
<b>Cash and cash equivalents-ending</b>		\$ 23,922,242	\$ 24,532,662
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)		\$ 465,731	\$ 239,473
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		1,114,447	1,077,946
Loss on disposal			11,162
Net changes in assets and liabilities			
Accounts receivable		(98,113)	(16,938)
Unbilled utility receivable		(82,500)	10,000
Accrued interest receivable		54,265	79,775
Prepaid expenses		(17,555)	(1,499)
Accrued franchise fees		(593)	287
Note receivable		(389,037)	
Accounts payable		(285,007)	239,224
Accrued liabilities		35,429	36,283
Deposits		(25,775)	11,268
Net cash provided by operating activities		\$ 771,292	\$ 1,686,981

The accompanying notes are an integral part of these financial statements

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 1: ORGANIZATION**

The Nipomo Community Services District (District) is a multi-purpose special district and was formed on January 28, 1965 and began operations in November 1966. The District is a political subdivision of the State of California and operates under a Board of Directors – General Manager form of government. The District provides water, sewer, street lighting, solid waste, street landscape maintenance, drainage and general administrative services.

The District complies with U.S. Generally Accepted Accounting Principles (GAAP) and all relevant U.S. Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is presented for comparative purposes only. Additional detailed information is presented in the prior year financial statements from which the summarized information was derived.

***Reporting Entity***

For financial reporting purposes, the District would include in this report all funds and account groups of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control is determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

The Nipomo Community Services District Public Facilities Corporation is a component unit of the District. This Corporation was formed to issue Revenues Certificates of Participation (COP'S) in May of 2003. The financial activity of the corporation is blended into the financial statements of the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Proprietary Fund Financial Statements***

The accounts of the District are organized into proprietary/enterprise funds. Enterprise funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with an enterprise fund's activities are included on the balance sheet.

***Basis of Accounting***

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues, including user fees and service charges, are recognized when earned, and expenses are recognized when incurred.

***Budgets and Budgetary Accounting***

An annual budget is adopted by the Board of Directors at the start of each fiscal year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

***Estimates***

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Accounts Receivable***

Water and sewer charges are billed bi-monthly for all residential and commercial customers. Customer accounts receivable are placed on the tax roll when the receivable is deemed uncollectible by the District. An allowance for uncollectibles is not considered necessary since it would not be material.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property, Plant and Equipment***

All fixed assets are valued at historical cost or estimated historical cost if actual costs are not available. Other donated fixed assets are valued at their estimated fair market value on the date received. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives are as follows:

Wastewater Treatment Plant and Collection System	50 years
Water Supply/Distribution System	20-50 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

***Compensated Absences***

Depending on the length of continuous services, a range of 10-20 vacation and 12 days of sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonable estimated.

In accordance with above criteria, the District has accrued a liability for vacation and sick pay which has been earned, but not taken by District employees, and is recorded as a liability.

***Capital Contributions***

Capital contributions are recorded when cash for capacity fees or fixed assets are received from developers, customers, or other governmental entities, and the purpose is for other than operating expenses.

***Property Taxes***

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 3: CASH AND CASH EQUIVALENTS**

The values of cash and cash equivalents at June 30, 2010 are summarized as follows:

Cash on hand	\$ 350
Bank deposits	41,309
Certificate of deposit	2,059,176
Deposits with bond trustees	249,026
Cash and investments in pooled funds	21,671,918
Less: Cash held in Trust in pooled funds	<u>(99,537)</u>
 Total	 \$ <u>23,922,242</u>

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, the FDIC temporarily increased insured deposits up to \$250,000 and is scheduled to return to \$100,000 after December 31, 2013.

***Credit Risk, Carrying Amount, and Market Value***

Cash is classified in three categories of credit risk as follows:

- Category 1 -insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 -collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 -uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

As of June 30, 2010, the carrying amount of the District's cash deposits was \$2,249,973. The bank's balance was \$2,337,139. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2010, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank accounts	\$ <u>2,337,139</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,337,139</u>	\$ <u>2,249,973</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 4: INVESTMENTS**

***Investments Authorized by the District's Investment Policy***

The District is authorized to invest in the following institutions:

1. County pooled funds (California Government Code Section 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code Section 16429.1)
3. One or more FDIC insurance banks and/or savings and loan associations that are designated as District depositories by resolution of the Board of Directors (California Government Code Section 61737.02)
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

The District's investment policy does contain specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustee and governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	N/A

***Disclosure Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investment contained in the LAIF investment pool is approximately 7 months.

Information about the sensitivity of the fair values of the District's investment to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
State investment pool	\$ <u>21,642,035</u>	7 months average maturity

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 4: INVESTMENTS (continued)**

***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized costs basis.

***Disclosures Relating to Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgages notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 5: PROPERTY, PLANT, EQUIPMENT AND CONSTRUCTION IN PROGRESS**

A summary of fixed assets by major classifications is as follows:

	June 30, <u>2009</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2010</u>
Collection and treatment Facilities	\$ 18,038,923	\$ 150,034	\$	\$ 18,188,957
Source of supply and Pumping	4,850,635	325,712	(404,576)	4,771,771
Transmission and distribution lines	13,532,204	177,134		13,709,338
Machinery and equipment	582,084	394,867	(66,048)	910,903
Vehicles	232,475	48,489		280,964
Building	1,149,448			1,149,448
Computer equipment	361,882	63,117		424,999
Office furniture and fixtures	186,363			186,363
Land and land rights	735,401			735,401
Construction in progress	3,321,287	2,474,208	(679,420)	5,116,075
Subtotal	42,990,702	\$ <u>3,633,561</u>	\$ <u>(1,150,044)</u>	45,474,219
Less: Accumulated depreciation	13,288,116	\$ 1,101,109	\$ (257,799)	14,131,426
Totals	\$ <u>29,702,586</u>			\$ <u>31,342,793</u>

Depreciation expense for the period ended June 30, 2010 was \$1,101,109.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 6: LONG TERM DEBT**

Long term debt consisted of the following:

	<u>Balance at July 1, 2009</u>	<u>Balance at June 30, 2010</u>
In August 1978, the District issued and sold Water Revenue Bonds amounting to \$270,000. The loan is payable over 40 years and bear interest at 5% per annum. Interest is paid semi-annually.	\$ 110,000	\$ 100,000
The District entered into a loan contract for \$697,367 on April 30, 1998, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion – Phase I. The loan was funded during the year ended June 30, 1999. Loan interest is zero percent, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$34,868 starting May 1, 2000.	348,683	313,815
The District entered into a loan contract for \$843,605 on February 24, 1999, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion–Phase II. The loan was funded during the year ended June 30, 2000. The loan interest is zero percent, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$42,180 starting March 1, 2001.	463,983	421,803
The District issued \$4,000,000 of Revenue Certificate of Participation (COP'S) on May 1, 2003. The proceeds are to be used for pipeline and storage facility project costs. The COP'S bear interest ranging from 3.00% to 4.93% per annum. Principal is to be paid annually starting September 1, 2004 through September 1, 2033. Annual principal payments range from \$75,000 to \$225,000.	3,595,000	3,510,000
The District entered into a lease purchase agreement of \$207,952 on October 20, 2009, with the Municipal Finance Corporation for a sewer vacuum truck. Installment payments in the amount of \$23,607 are due in ten consecutive semi-annual payments and includes interest at the rate of 4.75% per annum on the principal component of the unpaid installment payments.		207,952

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 6: LONG TERM DEBT (continued)**

Long term debt consisted of the following:

	<u>Balance at July 1, 2009</u>	<u>Balance at June 30, 2010</u>
The District adopted a water rate adjustment and Buy-In Charge of \$277,742 for the merger of Blacklake and Town Water Division on June 1, 2009, for the purposes of meeting operation, maintenance and capital replacement expenses for providing water service for the merged water systems. Prepayments in the amount of \$55,499 from Blacklake water customers was applied to the total Buy-In Charge. A loan of \$222,243 shall be repaid through a bi-monthly surcharge applied to Blacklake customers' water utility bills for a ten-year period with interest rate at 3%.	\$	\$ 203,512
The District entered into an Inter-Fund Loan for \$275,000 on April 1, 2009, with the Blacklake Division for the operation, maintenance and the replacement of existing sewer facilities. Prepayments in the amount of \$68,949 from Blacklake sewer customers was applied to the total. A loan of \$206,501 shall be repaid through a bi-monthly surcharge applied to Blacklake customers' sewer utility bills for a ten-year period with interest rate at 3.5%.		<u>185,525</u>
Total long-term debt	4,517,666	4,942,607
Less current maturities	<u>172,049</u>	<u>234,551</u>
Total long-term maturities	\$ <u>4,345,617</u>	\$ <u>4,708,056</u>



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 6: LONG TERM DEBT (continued)**

Future required principal and interest payments are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 234,551	\$ 178,433	\$ 412,984
2012	256,171	177,397	433,568
2013	265,325	170,545	435,870
2014	273,611	163,146	436,757
2015	278,036	155,347	433,383
2016 – 2020	1,174,913	666,431	1,841,344
2021 – 2025	710,000	506,859	1,216,859
2026 – 2030	890,000	317,817	1,207,817
2031 – 2033	860,000	83,896	943,896
Totals	\$ <u>4,942,607</u>	\$ <u>2,419,871</u>	\$ <u>7,362,478</u>

**NOTE 7: RESTRICTED NET ASSETS**

Restricted cash and investments were provided by, and are to be used for the following as of June 30, 2010:

<u>Funding Source</u>	<u>Use</u>	
Water capacity charges	For the expansion of the water system	\$ 4,052,461
Water sales	Funded replacement	3,386,175
Town Sewer capacity charges	For the expansion of sewer system	4,157,726
Town Sewer sales	Funded replacement	3,758,350
Blacklake sewer sales	Funded replacement	<u>(5,602)</u>
Totals		\$ <u>15,349,110</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 8: JOINT POWERS AUTHORITY**

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program periods July 1, 2009 through June 30, 2010 and July 1, 2008 through June 30, 2009.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$10,000,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$10,000,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$500,000 per occurrence/general aggregate.

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$10,000,000 per wrongful employment practice/aggregate limits per member.

Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$10,000,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 200910. This policy includes a \$400,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This policy covers \$10,000,000 per occurrence with personal injury and property damage.

Automobile Physical Damage: Special District Risk Management Authority, coverage number LCA SDRMA 200910. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 200910. This covers \$750,000 each accident.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 200910. The coverage is on file with SDRMA.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 8: JOINT POWERS AUTHORITY (continued)**

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 200910. This policy covers the replacement cost for scheduled property, \$1,000,000,000 per occurrence. Deductible is on file with SDRMA.

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 200910. This covers the replacement cost for scheduled property, \$100,000,000 per occurrence. Deductible is on file with SDRMA.

Workers Compensation Coverage and Employer's Liability: Special District Risk Management Authority, coverage number WCP SDRMA 200910. This coverage is statutory per occurrence, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

The annual member contribution was \$58,191 for the Package Program, \$4,993 for the Comp/Collision Program and \$14,142 for the worker's compensation program. Members are subject to dividends and/or assessments, in accordance with Fourth Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied. Presently, there are no known refunds or credits due to the District. There has been no reduction in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

Condensed financial information for S.D.R.M.A. for the most recent year available is as follows:

	<u>June 30, 2009</u>
Total assets	\$ 85,054,191
Total liabilities	<u>52,207,995</u>
Risk margin	\$ <u>32,846,196</u>
Total revenues	\$ 40,805,880
Total expenses	<u>30,282,632</u>
Net income	\$ <u>10,523,248</u>

Complete audited financial statements on the S.D.R.M.A. are on file with the general manager of the District.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 9: DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Nipomo Community Services District contributes to the California Public Employees' Retirement System (CALPERS), an agent multiple-employer public employee defined benefit pension plan. CALPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CALPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of CALPERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

Employee membership in CALPERS is compulsory for all regular full-time and part-time employees except those specifically excluded.

Benefits fully vest on reaching five years of services. Employees who retire at or after age 60 with five years of credited services, are entitled to a retirement benefit payable monthly for life. An employee's monthly service benefit is determined by computing the product: years of credited service multiplied by three percent multiplied by final-average monthly compensation. Final-average monthly compensation is the employee's average monthly salary during the last year of credited services, or the last three years, whichever is greater. Vested employees may retire at or after age 50 and receive reduced retirement benefits. CALPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute. Employees are required to contribute to the plan, however, the District agreed to pay the employees' portion. This amount is based upon a payroll contribution rate of eight percent. The District is required to contribute the remaining amounts necessary to fund CALPERS, using the actuarial basis specified by statute.

***Funding Policy***

Participants are required to contribute eight percent of their annual covered salary. The District makes the contribution required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 19.695% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CALPERS.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)**

***Actual Pension Cost***

For the fiscal year ending June 30, 2010, the District's annual pension cost of \$201,980 for CALPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases. The actuarial value of CALPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two to three year period (smoothed market value).

Actuarial information concerning this pension plan is now combined with several other local districts and individual district information and three year trend information is no longer made available to the Nipomo Community Services District.

***Post-employment Benefits***

In addition to pension benefits, the District provides post-retirement health care benefits through the California Public Employees' Retirement System. Employees who retire on or after attaining age 50 and are vested, are eligible for District paid health insurance. On January 1, 2010, the District conducted an actuarial valuation to determine the required funding for this health care benefits program.

The actuarial liability for the District's retiree health benefits program on this measurement date was determined to be \$1,402,420. This value is based on a discount rate of 7.75%. The District's funding policy is to fund 100% of the annual required contribution determined through the California Employers' Retiree Benefit Trust (CERBT). Based on this valuation, the District contributed \$113,000 to an irrevocable trust to meet the current obligations of this program and to fully fund the annual liability. Currently, four retired employees are receiving 100% paid health care benefits totaling \$3,616 per month.

Below are the required disclosures for this plan:

Number of active participants		12
Employer's actuarially required contributions	\$	102,298
Employer's actual contributions	\$	113,000
Actuarial Accrued Liability(AAL)	\$	1,157,759
Actuarial Valuation of Assets(AVA)	\$	200,164
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$	957,595
Funded Ratio(AVA/AAL)		17%
Estimated Payroll	\$	638,000
UAAL as a Percentage of Covered Payroll		150%

## **SUPPLEMENTAL INFORMATION**

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2010

Business Type Activities - Enterprise Funds

<b>ASSETS</b>				
	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>	<u>Blacklake Lighting</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 11,854,002	\$ 9,253,276	\$ 171,436	\$ 36,904
Accounts receivable	206,447	55,564	35,395	
Unbilled utilities receivable	489,000	204,000	32,000	
Accrued interest receivable	15,920	12,619	231	50
Prepaid expenses	56,758			
Accrued franchise fees				
Notes receivable	19,941			
Total current assets	<u>12,642,068</u>	<u>9,525,459</u>	<u>239,062</u>	<u>36,954</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Land and construction in progress	4,115,243	1,736,233		
Property, plant and equipment, net	10,724,644	11,199,216	1,830,199	
Total noncurrent assets	<u>14,839,887</u>	<u>12,935,449</u>	<u>1,830,199</u>	<u>-</u>
<b>Other Assets</b>				
Loan fees, net accumulated amortization		66,063		
Notes receivable	183,570			
Total other assets	<u>183,570</u>	<u>66,063</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 27,665,525</u>	<u>\$ 22,526,971</u>	<u>\$ 2,069,261</u>	<u>\$ 36,954</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 263,571	\$ 69,052	\$ 14,848	\$ 1,822
Accrued liabilities	79,209	21,054	7,854	
Deposits	83,849			
Current portion long term debt	30,584	95,716	18,251	
Total current liabilities	<u>457,213</u>	<u>185,822</u>	<u>40,953</u>	<u>1,822</u>
<b>Noncurrent Liabilities</b>				
Long term debt	272,928	847,854	167,274	
Deferred revenue		6,300		
Total noncurrent liabilities	<u>272,928</u>	<u>854,154</u>	<u>167,274</u>	<u>-</u>
Total liabilities	<u>\$ 730,141</u>	<u>\$ 1,039,976</u>	<u>\$ 208,227</u>	<u>\$ 1,822</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 14,536,375	\$ 11,991,879	\$ 1,644,674	\$ -
Restricted for system expansion and replacement	7,438,636	7,916,076	(5,602)	
Unrestricted	4,960,373	1,579,040	221,962	35,132
Total net assets	<u>\$ 26,935,384</u>	<u>\$ 21,486,995</u>	<u>\$ 1,861,034</u>	<u>\$ 35,132</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2010

Business Type Activities - Enterprise Funds

	<u>Solid Waste</u>	<u>Drainage</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Total</u>
\$	656,865	\$ 5,000	\$ 17,172	\$ 1,927,587	\$ 23,922,242
					297,406
					725,000
	886	22	23	2,125	31,876
				1,920	58,678
	12,110				12,110
				18,251	38,192
	<u>669,861</u>	<u>5,022</u>	<u>17,195</u>	<u>1,949,883</u>	<u>25,085,504</u>
					5,851,476
	<u>6,503</u>			<u>1,730,755</u>	<u>25,491,317</u>
	<u>6,503</u>	<u>-</u>	<u>-</u>	<u>1,730,755</u>	<u>31,342,793</u>
				135,801	201,864
				167,275	350,845
	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,076</u>	<u>552,709</u>
\$	<u><u>676,364</u></u>	\$ <u><u>5,022</u></u>	\$ <u><u>17,195</u></u>	\$ <u><u>3,983,714</u></u>	\$ <u><u>56,981,006</u></u>
\$	406	\$ -	\$ 908	\$ -	\$ 350,607
	1,270			52,607	161,994
				3,658	87,507
				90,000	234,551
	<u>1,676</u>	<u>-</u>	<u>908</u>	<u>146,265</u>	<u>834,659</u>
				3,420,000	4,708,056
					6,300
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,420,000</u>	<u>4,714,356</u>
\$	<u><u>1,676</u></u>	\$ <u><u>-</u></u>	\$ <u><u>908</u></u>	\$ <u><u>3,566,265</u></u>	\$ <u><u>5,549,015</u></u>
\$	6,503	\$ -	\$ -	\$ (1,779,245)	\$ 26,400,186
					15,349,110
	<u>668,185</u>	<u>5,022</u>	<u>16,287</u>	<u>2,196,694</u>	<u>9,682,695</u>
\$	<u><u>674,688</u></u>	\$ <u><u>5,022</u></u>	\$ <u><u>16,287</u></u>	\$ <u><u>417,449</u></u>	\$ <u><u>51,431,991</u></u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2010

Business Type Activities - Enterprise Funds

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>	<u>Blacklake Lighting</u>
<b>Operating Revenues</b>				
Charges for services	\$ 2,938,162	\$ 1,562,388	\$ 390,230	\$ 18,904
Miscellaneous	63,061	300		
Total operating revenues	<u>3,001,223</u>	<u>1,562,688</u>	<u>390,230</u>	<u>18,904</u>
<b>Operating expenses</b>				
Personnel	1,046,070	282,116	93,707	
Contractual services	388,118	24,241	4,963	
Utilities	434,266	122,866	28,118	21,852
Repairs and maintenance	157,748	128,715	10,457	
Other supplies and expenses	404,506	118,224	62,253	46
Insurance	41,816	11,263	2,612	500
Depreciation and amortization	546,982	446,433	77,799	
Total operating expenses	<u>3,019,506</u>	<u>1,133,858</u>	<u>279,909</u>	<u>22,398</u>
Operating income (loss)	<u>(18,283)</u>	<u>428,830</u>	<u>110,321</u>	<u>(3,494)</u>
<b>Non operating revenues (expenses)</b>				
Interest	87,010	59,343	893	241
Property taxes				
Cell site	31,702			
Gain on disposal of equipment	101,982			
Miscellaneous income	110,511	7,087		
Interest expense	(11,927)	(2,469)	(6,856)	
Total non operating revenues (expenses)	<u>319,278</u>	<u>63,961</u>	<u>(5,963)</u>	<u>241</u>
Income (loss) before contributions	<u>300,995</u>	<u>492,791</u>	<u>104,358</u>	<u>(3,253)</u>
Transfers (to) from other funds	138,980	(89,928)	(49,052)	
Capital contributions, net of refunds	<u>90,227</u>	<u>78,245</u>		
Change in net assets	<u>530,202</u>	<u>481,108</u>	<u>55,306</u>	<u>(3,253)</u>
Total net assets - beginning	<u>26,405,182</u>	<u>21,005,887</u>	<u>1,805,727</u>	<u>38,385</u>
Total net assets - ending	<u>\$ 26,935,384</u>	<u>\$ 21,486,995</u>	<u>\$ 1,861,033</u>	<u>\$ 35,132</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2010

Business Type Activities - Enterprise Funds

<u>Solid Waste</u>	<u>Drainage</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	4,909,684
92,923		8,450		164,734
<u>92,923</u>		<u>8,450</u>		<u>5,074,418</u>
26,795				1,448,688
			51,219	468,541
		117		607,219
				296,920
6,012		13,468	10,172	614,681
2,000				58,191
1,696			41,537	1,114,447
<u>36,503</u>	<u>-</u>	<u>13,585</u>	<u>102,928</u>	<u>4,608,687</u>
<u>56,420</u>	<u>-</u>	<u>(5,135)</u>	<u>(102,928)</u>	<u>465,731</u>
4,040	77	119	16,134	167,857
	13,831		506,745	520,576
				31,702
				101,982
				117,598
			(158,210)	(179,462)
<u>4,040</u>	<u>13,908</u>	<u>119</u>	<u>364,669</u>	<u>760,253</u>
<u>60,460</u>	<u>13,908</u>	<u>(5,016)</u>	<u>261,741</u>	<u>1,225,984</u>
	(13,948)		13,948	-
				168,472
60,460	(40)	(5,016)	275,689	1,394,456
<u>614,228</u>	<u>5,062</u>	<u>21,303</u>	<u>141,761</u>	<u>50,037,535</u>
<u>\$ 674,688</u>	<u>\$ 5,022</u>	<u>\$ 16,287</u>	<u>\$ 417,450</u>	<u>\$ 51,431,991</u>



**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES  
PROPRIETARY FUNDS  
As of June 30, 2010

Business Type Activities - Enterprise Funds

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>
<b>Other supplies and expenses</b>			
Chemicals	\$ 11,278	\$ 4,325	\$ 21,064
Lab testing	15,173	27,987	13,421
Operating supplies	75,714	31,738	11,797
Outside services	46,113	5,098	233
Permits and operating fees	14,908	9,210	4,369
Fuel	17,745	5,915	3,227
Paging service	4,878	1,626	887
Meters - replacement program	13,885		
Uniforms	4,762	1,588	866
Conservation program	42,124		
Bank charges and fees	2,933		
Computer expenses	38,323	8,428	1,678
Director fees	15,640	3,470	613
Dues and subscriptions	15,993	4,064	1,029
Education and training	3,003	1,010	202
Landscape and janitorial	9,945	2,113	373
LAFCO funding	23,359		
Miscellaneous	5,894	20	
Newsletters and mailers	2,161	515	91
Office supplies	10,258	2,686	441
Postage	10,021	5,660	1,019
Public notices	5,226		
Property taxes	1,070		
Telephone	7,370	1,498	718
Travel and mileage	6,730	1,273	225
Bond administration			
Total other supplies and expenses	\$ 404,506	\$ 118,224	\$ 62,253

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES  
PROPRIETARY FUNDS  
As of June 30, 2010

Business Type Activities - Enterprise Funds

<u>Blacklake Lighting</u>	<u>Solid Waste</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Total</u>
\$	\$ 282	\$ -	\$ -	\$ 36,949
				56,581
				119,249
				51,444
				28,487
				26,887
				7,391
				13,885
				7,216
				42,124
			5,637	8,570
				48,429
				19,723
				21,086
				4,215
	2,029	13,169		27,629
				23,359
			71	5,985
				2,767
	2,106		300	15,791
	1,404		220	18,324
46	191	299		5,762
				1,070
				9,586
				8,228
			3,944	3,944
\$ 46	\$ 6,012	\$ 13,468	\$ 10,172	\$ 614,681

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2010

**FUND 500 – SUPPLEMENTAL WATER FUND**

Beginning balance July 1, 2009	\$3,004,116
Ending balance June 30, 2010	\$2,409,880
Interest earned	\$16,786
Amount of charges collected in fiscal year	\$48,758

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #500	Project completed during fiscal year
Supplemental Water Project	\$522,358	100%	No

Anticipated projects for 2010-2011 fiscal year

Supplemental Water Project (including, but not limited to, CEQA, Engineering Design, Right-of-Way, Funding, Permits and Construction)

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov).

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2010

**FUND 700 – WATER CAPACITY FUND**

Beginning balance July 1, 2009	\$4,598,314
Ending balance June 30, 2010	\$4,052,461
Interest earned	\$27,490
Amount of charges collected in fiscal year	\$16,714

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #700	Project completed during fiscal year
GIS Upgrades	\$17,427	50%	Yes
Generator	\$123,672	100%	Yes
Misty Glen Intertie	\$148,845	100%	Yes
Work in Process-Willow Road Phase 1	\$714,220	100%	No
Work in Process-Willow Road Phase 2	\$45,925	100%	No
Work in Process-Tank Site	\$11,976	100%	No
Work in Process-SCADA Upgrades	\$6,903	100%	No

Anticipated projects for 2010-2011 fiscal year

SCADA Upgrade  
Shop Equipment Storage Building  
Standpipe Mixing  
Willow Road Water Line (Phase 1 and 2)  
Water Tank Site

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov).

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2010

**FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION)**

Beginning balance July 1, 2009	\$5,080,594
Ending balance June 30, 2010	\$4,157,726
Interest earned	\$30,556
Amount of charges collected in fiscal year	\$71,341

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #710	Project completed during fiscal year
GIS Upgrades	\$11,440	50%	Yes
Bio-Solids Disposal	\$114,403	85%	Yes
Work In Process – Southland WWTF Upgrade	\$377,692	100%	No
Work In Process – SCADA Upgrades	\$6,480	100%	No

Anticipated projects for 2010-2011 fiscal year

Southland WWTF Upgrades  
Bio-Solids Disposal Program  
SCADA System Upgrade  
Shop Equipment Storage Building  
Frontage Road Trunk Sewer Upgrade

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov).